

CONTINENTAL CASUALTY COMPANY
(A stock insurance company, hereinafter called the "Company")

Administrative Office:
P.O. Box 6709
Louisville, Kentucky 40206-0709
(502) 897-1876
(800) 637-7319

**REAL ESTATE LICENSEES ERRORS AND OMISSIONS
DECLARATIONS**

THIS IS A CLAIMS-MADE POLICY. PLEASE READ THIS POLICY CAREFULLY.

NOTICE: THIS IS A CLAIMS-MADE POLICY. EXCEPT AS MAY BE OTHERWISE PROVIDED HEREIN THIS COVERAGE IS LIMITED TO LIABILITY FOR ONLY THOSE CLAIMS WHICH ARE FIRST MADE AGAINST THE INSURED AND REPORTED TO THE COMPANY WHILE THE POLICY IS IN FORCE.

Policy Number: **04 EO 0013KY**

ITEM 1. POLICYHOLDER: The Kentucky Real Estate Commission on behalf of its **Licensees** who hold an active real estate license issued by the Kentucky Real Estate Commission under the Kentucky Real Estate License Law, KRS Chapter 324 and Chapter 201 KAR 11:220 of the Kentucky Administrative Regulations and who have paid the required premium

ITEM 2. GROUP POLICY PERIOD: From April 1, 2004 To April 1, 2005 (12:01 A.M. Standard Time at the Address stated in Item 1)

ITEM 3. LIMITS OF LIABILITY (a) \$100,000 per **Licensee** per **Claim**
(b) \$1,000,000 Aggregate per **Licensee**

ITEM 4. DEDUCTIBLES

DAMAGES	\$ - 0 - each Claim
CLAIM EXPENSES	\$ - 0 - each Claim

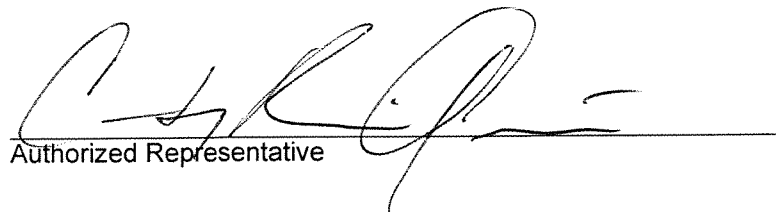
ITEM 5. PREMIUM \$123.00 per **Licensee**

ITEM 6. RETROACTIVE DATE As determined for each **Insured** according to the policy

This insurance does not apply to any claim or claims made against the **Insured** based upon, arising out of, or attributable to any negligent act, error, or omission committed or alleged to have been committed prior to the **Retroactive Date** listed above.

ITEM 7. OPTIONAL EXTENDED REPORTING ADDITIONAL PREMIUM: One Year is 100% expiring premium (\$123.00); Two Years is 150% expiring premium (\$184.50); Three Years is 200% expiring premium (\$246.00)

The Declarations and the forms listed and attached hereto, together with the completed and signed application shall constitute the contract between the **Insured** and the Company.


Authorized Representative

4-1-04
Date

- A. Subject to paragraph B and C below, the Company's Limits of Liability for **Damages** for each **Claim** shall not exceed the amount stated in Item 3 (a) of the Declarations.
- B. If a **Claim** involves coverage issued to two or more **Licensees**, the amount paid by the Company on behalf of all **Insureds** under each **Licensees'** coverage, shall be prorated in relationship to the amount awarded against each such **Insured**, but in no event shall that amount paid by the Company for all **Insureds** under each **Licensees'** coverage exceed the per **Licensee** Limits of Liability shown on the Declarations.
- C. The Aggregate Limit under Item 3(b) of the Declarations is the maximum the Company will pay for all **Claims** made during the **Individual Policy Period** and any Extended Reporting Period.
- D. Limits of Liability are not renewed or increased by virtue of the operation of the Automatic or Optional Extended Reporting Period.
- E. In addition to the Limits of Liability, the Company will pay **Claim Expenses** in connection with covered **Claims**. **Claim Expenses** are in addition to the Limits of Liability. The Company's payment of the Limits of Liability ends the Company's duties to defend, pay **Damages** and pay **Claim Expenses**.

III. DEDUCTIBLE

The **Insured** shall pay the **Damages** Deductible and the **Claim Expenses** Deductible, as stated in Item 4 of the Declarations for each **Claim**. The **Damages** Deductible shall apply to the payment of **Damages**. The Company's obligation to pay **Damages** begins only after the **Insured** has paid the **Damages** Deductible. The **Claim Expenses** Deductible shall apply to the payment of **Claim Expenses**. The Company is obligated for **Claim Expenses** in excess of the **Claim Expenses** Deductible. The Company may pay any part or all of the **Damages** Deductible or **Claim Expenses** Deductible to settle, defend or investigate a **Claim**. The **Insured** must promptly reimburse the Company any amount of the **Damages** Deductible or **Claim Expenses** Deductible paid by the Company. In the event the **Insured** does not reimburse the Company within sixty (60) days, the Company will be entitled to recover reasonable costs and attorney fees incurred in collecting such reimbursement.

If a **Claim** involves two or more **Insureds** who are affiliated with the same **Real Estate Firm**, only one **Damages** Deductible and one **Claim Expenses** Deductible will apply. The **Damages** Deductible and the **Claim Expenses** Deductible are the joint and several liability of all **Insureds** who are affiliated with the same **Real Estate Firm** involved in such **Claim**, but collection and payment of the **Damages** Deductible and the **Claim Expenses** Deductible will be the responsibility of the principal broker of the **Real Estate Firm**.

IV. SUPPLEMENTARY PAYMENTS

In addition to the Limits of Liability, the Company will pay the following:

- A. Premiums on appeal bonds and bonds to release attachments. Premiums are limited to bonds no larger than the Company's remaining Limits of Liability. Obtaining the bond is not the Company's obligation.
- B. \$250 for each day the **Insured** attends a trial or hearing in a civil lawsuit covered under this policy; however, attendance must be at the Company's request. In no event shall the amount payable under this provision exceed \$5,000 Aggregate Limit during the **Individual Policy Period**. In addition, the \$5,000 limit is the maximum the Company will pay even if such trial or hearing spans more than one **Individual Policy Period**.
- C. Postjudgment interest on that portion of any judgment to which this insurance applies and which accrues after entry of the judgment and before the Company has paid, offered to pay or

deposited, whether in court or otherwise, that part of the judgment for which the Company is responsible.

- D. Notwithstanding the provisions of Exclusion F, the Company will pay up to \$5,000 for property damage, or loss of use of property resulting from property damage, arising out of the **Professional Services** of the **Insured** in the distribution, operation or use of a lock box on property not owned, occupied by or leased to the **Insured**. The Company has no duty to defend the **Insured** for **Lock Box Liability**. The amount payable under this provision shall be subject to a \$10,000 Aggregate Limit during the **Individual Policy Period**. In addition, the \$10,000 limit is the maximum the Company will pay even if such property damage or loss of use of property spans more than one **Individual Policy Period**.

V. TERRITORY

- A. Coverage applies to a **Licensee** domiciled in Kentucky performing **Professional Services** in Kentucky.
- B. If the **Licensee** is domiciled in the State of Kentucky, then this policy applies to **Professional Services** performed anywhere in the world, provided that:
1. the **Licensee** will be covered for **Professional Services** performed outside the State of Kentucky only if the **Licensee** is duly licensed in such state and the services performed would require a license pursuant to the laws of Kentucky had the acts been performed in Kentucky; and
 2. the **Claim** arising out of the rendering of such **Professional Services** is brought within the United States of America, its territories or possessions.
- C. If the **Licensee** is not domiciled in the State of Kentucky, then this policy applies only to **Professional Services** performed in Kentucky. The **Claim** arising out of the rendering of such **Professional Services** must be brought within the United States of America, its territories or possessions.
- D. For purposes of this section, a **Licensee** who is not domiciled in the State of Kentucky shall be treated as domiciled in the State of Kentucky if the **Licensee's Principal Real Estate License** is affiliated with a real estate office located in the State of Kentucky and the **Licensee** resides within fifty (50) miles of the Kentucky State line.

VI. EXCLUSIONS

This insurance does not apply to any **Claim** alleging, arising from or related to:

- A. fraudulent, dishonest, criminal, malicious, or willful acts committed by the **Insured**, at the **Insured's** direction or with the **Insured's** knowledge, or by anyone for whose acts the **Insured** is legally responsible;
- B. the insolvency of the **Insured**;
- C. the failure to pay, collect or return insurance premiums, escrow monies, earnest money deposits, security deposits, tax money or commissions;
- D. the wrongful termination of employment, breach of an employment contract, or other employment disputes;
- E. bodily injury, sickness, disease, mental anguish, pain or suffering, emotional distress or death of any person;
- F. physical injury to, destruction or loss of use of tangible property;

- G. unfair competition, piracy, advertising injury or theft or wrongful taking of concepts or other intellectual property;
- H. libel, slander, defamation of character, disparagement, detention, humiliation, sexual harassment, false arrest or imprisonment, wrongful entry or eviction, violation of the right to privacy or malicious prosecution, personal injury or other invasion of rights to private occupancy;
- I. discrimination on the basis of race, color, creed, national origin, sex, religion, age, sexual preference, marital status, any mental or physical handicap or disease or any other unlawful discrimination category;
- J. **Professional Services** relating to property:
 - 1. developed or constructed by, or
 - 2. more than 10% owned by, or
 - 3. purchased or attempted to be purchased by

an **Insured** or by the spouse of an **Insured** or by any entity, corporation, partnership or trust in which the **Insured** or spouse of an **Insured** owns or controls more than 10% financial interest;

however, this exclusion does not apply to:

- (a) any **Claim** arising from the sale of property acquired by the **Insured** pursuant to a guaranteed sale listing contract. The guaranteed sale listing contract must be a written agreement between the **Insured** and the seller of a property in which the **Insured** agrees to purchase the property if it is not sold under the listing agreement in a specified time. For coverage to apply, the **Insured** must hold title to the property for less than one (1) year and must continually offer it for sale; or
- (b) transactions in which:
 - (i) the property is listed by an **Insured** who is not the property owner, builder or developer, and
 - (ii) the property is advertised, marketed, and promoted by an **Insured** who is not the property owner, builder or developer, and
 - (iii) all **Professional Services** related to the transaction, including the sale or closing on the property, are conducted by an **Insured** who is not the property owner, builder or developer, and
 - (iv) the transaction would otherwise be covered by this policy.
- K. violation of the Employee Retirement Income Security Act of 1974, the Securities Act of 1933, the Securities Exchange Act of 1934 or any state Blue Sky or securities laws, or amendments thereto;
- L. failure by an **Insured** to provide or maintain insurance;
- M. the **Insured's** activities as a lawyer, title agent, mortgage banker, mortgage broker or correspondent, escrow agent, construction manager, property developer or insurance agent;
- N. activities involving property syndication, limited partnership or real estate investment trusts in which any **Insured** has, or had, a direct or indirect interest in the profits or losses;
- O. liability assumed by any **Insured** under any contract, indemnity agreement, purchase agreement, hold harmless clause or other similar agreement, unless such liability would have attached to the **Insured** in the absence of such contract;
- P. whether suddenly or over a long period of time:
 - 1. the actual, alleged or threatened emission, discharge, dispersal, seepage, release or escape of pollutants, asbestos, radon or lead;
 - 2. the actual or alleged failure to detect, disclose, report, test for, monitor, clean up, remove,

- contain, dispose of, treat, detoxify or neutralize, or in any way respond to, assess the effects of or advise of the existence of pollutants; or
3. any nuclear reaction, nuclear radiation or radioactive contamination, or any act, condition or pollution incidental to the foregoing.

As used in this Exclusion, pollution includes the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of pollutants. Pollutants include any solid liquid, gaseous, thermal, biological or radioactive substance, material or matter, toxin, irritant or contaminant, including but not limited to radon, asbestos, smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

- Q. whether suddenly or over a long period of time:
1. the actual, alleged or threatened inhalation of, ingestion of, contact with, exposure to, existence of, growth or presence of; or
 2. the actual or alleged failure to detect, report, test for, monitor, clean-up, remove, contain, dispose of, treat, detoxify or neutralize, or in any way respond to, assess the effects of or advise of the existence of;

any **Fungi** or **Microbes**, or of any spores, mycotoxins, odors, or any other substances, products or byproducts produced by, released by, or arising out of the current or past presence of **Fungi** or **Microbes**.

This exclusion applies regardless of any other cause or event that contributes concurrently or in any sequence to the **Damages** claimed.

- R. injury or damage expected or intended by the **Insured**;
- S. disputes over commissions between real estate brokers and/or salespersons or disputes over commissions involving lawsuits initiated by the **Insured**. This exclusion does not apply to disputes over commissions involving counterclaims filed with the approval of the Company.
- T. negligent acts, errors or omissions committed or alleged to have been committed either (1) prior to the date the **Insured** received an active real estate license or (2) subsequent to the effective date of suspension, revocation or inactive status of the **Insured's** real estate license;
- U. any fines, penalties, assessments, punitive damages, exemplary damages or multiplied damages, or matters deemed uninsurable under applicable law;
- V. conversion, misappropriation or commingling of funds or other property; or
- W. the Insured's activities as an appraiser, if the appraisal activity performed requires licensing or certification, other than a real estate license.

VII. EXTENDED REPORTING PERIODS

In case of cancellation or nonrenewal, a **Licensee** may be eligible for the following Extended Reporting Periods to apply, both subject to Paragraph C. below:

- A. Automatic Extended Reporting Period: In case of cancellation or nonrenewal because a **Licensee** retires, places license on inactive status or allows license to expire, the policy will apply to **Claims** first made against the **Insured** and reported to the Company up to ninety (90) days after the effective date of cancellation or nonrenewal. Said ninety (90) day period will be hereinafter referred to as the Automatic Extended Reporting Period.
- B. Optional Extended Reporting Period: In case of cancellation or nonrenewal for any reason, the **Licensee** shall have the option, upon payment of an additional premium within ninety (90) days

after the effective date of the cancellation or nonrenewal, to cause the policy to apply to **Claims** first made against the **Insured** and reported to the Company during the Optional Extended Reporting Period. The Optional Extended Reporting Period will replace the Automatic Extended Reporting Period. The premium for the Optional Extended Reporting Period will be fully earned and is determined as shown below:

<u>Optional Extended Reporting Periods</u>	<u>Premium</u>
One Year	100%
Two Years	150%
Three Years	200%

The Optional Extended Reporting Period cannot be canceled by the Company or the **Insured**.

C. Coverage afforded by the Automatic and Optional Extended Reporting Periods:

1. Shall apply solely to **Claims** arising from a negligent act, error or omission:
 - (a) committed or alleged to have been committed subsequent to the **Retroactive Date**, and
 - (b) committed or alleged to have been committed prior to the effective date of cancellation or nonrenewal, and
 - (c) which are otherwise insured under all the other terms, conditions and exclusions of this policy.
2. Shall not apply to any **Claim**, which is insured by any other policy of insurance, nor as excess above such other policy of insurance.
3. Nothing in Paragraphs A or B shall serve to increase the Limits of Liability as provided in Insuring Agreement II or the Supplementary Payments as provided in Section IV. The Limits of Liability for any Extended Reporting Period shall be a part of, and not in addition to, the Limits of Liability listed on the Declarations.

VIII. DEFINITIONS

A. **Claim** means:

1. a written demand for money or services received by the **Insured**, or
2. service of a lawsuit or institution of arbitration or mediation proceedings against the **Insured**;

seeking **Damages** and alleging a negligent act, error or omission in the performance or failure to perform **Professional Services**.

B. **Claim Expenses** means:

1. fees, costs and expenses resulting from the investigation, adjustment, defense and appeal of a **Claim** if incurred by the Company or by the **Insured** with the Company's written consent,
2. fees charged by attorneys designated by the Company,

Costs, fees or expenses of employees or officials of the Company are not **Claim Expenses**. Nor shall **Claim Expenses** include salaries, loss of earnings or other remuneration by or to any **Insured**.

- C. **Damages** means compensatory damages. **Damages** do not include fines; penalties; punitive, exemplary or multiplied damages; or matters deemed uninsurable under applicable law.
- D. **Fungi** means any form of fungus including but not limited to yeast, mold, mildew, rust, smut or mushroom.

- E. **Group Policy Period** means April 1, 2003 to April 1, 2004. The **Group Policy Period** may be shortened by cancellation.
- F. **Individual Policy Period** means the period set forth in the Certificate of Coverage commencing with the date the **Licensee** obtained coverage under the current group policy by paying the appropriate premium and ending with the cancellation or expiration of the **Licensee's** coverage under the current group policy. The **Individual Policy Period** must be within the dates of the **Group Policy Period** shown on the Declarations.
- G. **Insured** means the following:
1. the **Licensee**;
 2. unlicensed employees of and under the direct supervision of the **Licensee** while acting in the course and scope of their employment; provided always that the **Claim** arises out of a negligent act, error or omission relating to the rendering of or failure to render **Professional Services** on behalf of the **Licensee**.
 3. the heirs, executors, administrators or assigns of the **Licensee** in the event of the **Licensee's** death, incapacity, or bankruptcy but only to the extent that such **Licensee** would have been provided coverage under this policy;

When this policy provides coverage for a **Claim** made against any of its **Insureds** listed in 1, 2 or 3 above, **Insured** will also mean:

4. any **Real Estate Firm** and its principal broker that the **Licensee** represents but only for its vicarious liability for the negligent acts, errors or omissions arising out of **Professional Services** by the **Licensee**.
- H. **Licensee** means the person who holds an active real estate license issued by the **Policyholder** under the Kentucky Real Estate License Law, KRS Chapter 324 and who has paid the required premium.
- I. **Lock Box Liability** means liability for **Damages** arising from an **Insured's** use of a lock or key box. A lock or key box is a device to allow authorized persons without a key to enter a locked door.
- J. **Microbes** mean any non-fungal microorganism or non-fungal colony-form organism that causes infection or disease.
- K. **Policyholder** means the Kentucky Real Estate Commission.
- L. **Principal Real Estate License** means the state license under which the majority of the licensee's real estate transactions are conducted.
- M. **Professional Services** means services performed by the **Licensee** as a real estate broker, or sales associate as defined in Kentucky Real Estate License Law, KRS Chapter 324 and Chapter 201 KAR 11:011 of the Kentucky Administrative Regulations of the Kentucky Real Estate Commission and for which the **Licensee** is required to have a real estate license.
- N. **Real Estate Firm** means a legal entity with which real estate brokers or sales associates as defined in Kentucky Real Estate License Law, KRS Chapter 324 and Chapter 201 KAR 11:011 of the Kentucky Administrative Regulations of the Kentucky Real Estate Commission are affiliated and which employs the **Licensee**.
- O. **Related Claims** means all **Claims** arising out of a single negligent act, error or omission or arising out of **Related Negligent Acts, Errors or Omissions** in the rendering of **Professional Services**.

- P. **Related Negligent Acts, Errors or Omissions** mean all negligent acts, errors or omissions in the rendering of **Professional Services** that are temporally, logically or causally connected by any common fact, circumstance, situation, transaction, event, advice or decision.
- Q. **Retroactive Date** is the date when the first real estate errors and omissions coverage was effective insuring the **Licensee** on a claims-made basis and since which time the **Licensee** has been continuously insured by coverage similar to that provided by this agreement. The **Retroactive Date** is established separately for each **Licensee**.

IX. PREMIUM

This coverage shall not be effective until and unless the application for coverage has been approved by the Company and the premium has been paid. Each **Insured's** premium shall be fully earned at the inception date of the policy unless the Company cancels the policy.

X. AUDIT

The Company may audit the **Insured's** records to determine the accuracy of pertinent information provided by the **Insured**. The Company will give reasonable notice to the **Insured** of such an audit. The audit will take place during the **Insured's** regular business hours.

XI. THE INSURED'S DUTIES IF THERE IS A CLAIM

- A. The **Insured** shall give written notice by submitting a completed Notice of **Claim** Form to the Company as soon as possible after the **Claim** is first made but in no event more than ninety (90) days after the **Insured** becomes aware of such **Claim**. Such written notice shall include the name of the **Licensee** and shall include the time, place and details of the **Claim**. Notice shall be delivered to:

U.S. Mail Delivery:

Claims Department
P. O. Box 6709
Louisville KY 40206-0709

Overnight Delivery:

Claims Department
4211 Norbourne Boulevard
Louisville KY 40207-4048

Phone

(502) 897-1876
Toll-Free (800) 637-7319
Fax: (502) 897-7174

- B. The **Insured** shall not admit any liability, make any settlement, pay any **Damages** or assume any duty or obligation for any **Claim** without the prior written consent of the Company. The **Insured** shall not incur any **Claim Expenses** for any **Claim** without the prior written consent of the Company.
- C. The **Insured** shall immediately forward to the Company every demand, notice, summons or other process received by the **Insured** or the **Insured's** representatives about any **Claim**.
- D. The **Insured** shall cooperate with the Company and, at the Company's request, the **Insured** shall assist the Company in responding to the **Claim** and making settlements. The **Insured** shall attend hearings and trials and help in securing and giving evidence at the Company's request.

XII. SUBROGATION

If the Company makes any payment under this policy, the Company shall receive all of the **Insured's** rights of recovery against any persons or organizations. The **Insured** shall assist the Company in whatever way is necessary to secure such rights. When a **Claim** is made, the **Insured** shall do nothing to thwart the Company's recovery of amounts paid to other parties who might be responsible for the **Claims**.

XIII. CHANGES

The terms of this policy may not be waived or changed unless the Company issues an

Endorsement. All Endorsements become a part of this policy. The **Policyholder** and the Company may make changes in the terms of the policy upon mutual consent.

XIV. ACTION AGAINST THE COMPANY

The **Insured** may not bring a lawsuit against the Company unless the **Insured** has complied with all the terms and conditions of this policy. Nor shall an action lie against the Company until judgment or trial determines the **Insured's** responsibility to pay.

XV. BANKRUPTCY

Bankruptcy or insolvency of the **Insured** or the **Insured's** estate will not relieve the Company of its obligations under this policy.

XVI. CANCELLATION

- A. The **Policyholder** may cancel this policy by giving, mailing or delivering the Company advance written notice of cancellation or surrendering the policy to the Company at least ninety (90) days before the effective date of cancellation. If the **Policyholder** cancels the policy, it is responsible for notifying each **Licensee** of the effective date of cancellation.
- B. This policy may be canceled by the Company by notice in writing which shall be delivered to the Policyholder or mailed to the Policyholder at the last known address of the Policyholder, which shall state the effective date of the cancellation, and shall be accompanied by a written explanation of the specific reason or reasons for the cancellations.

The notice of cancellation section shall be mailed or delivered by the Company to the **Policyholder** at least one hundred twenty (120) days prior to the effective date of the cancellation.

After coverage has been in effect more than sixty (60) days or after the effective date of a renewal policy, we may cancel the policy for one or more of the following reasons:

- (1) Nonpayment of premium;
 - (2) Discovery of fraud or material misrepresentation made by or with the knowledge of the insured in obtaining the policy, continuing the policy, or in presenting a **Claim** under the policy;
 - (3) Discovery of willful or reckless acts or omissions on the part of the **Insured** which increase any hazard insured against;
 - (4) The occurrence of a change in the risk which substantially increases any hazard insured against after insurance coverage has been issued or renewed;
 - (5) The Company is unable to reinsure the risk covered by the policy; or
 - (6) A determination by the commissioner that the continuation of the policy would place the Company in violation of the Kentucky insurance code or regulations of the commissioner.
- C. If the **Policyholder** or the Company cancels, earned premium shall be computed on a pro rata basis. Unless this entire policy is cancelled, the Licensees' premiums shall be considered to be fully earned upon the inception of the policy.

XVII. NONRENEWAL

If the Company elects not to renew this policy, it will give, mail or deliver to the **Policyholder** written notice of nonrenewal at least one hundred twenty (120) days before the expiration date of the policy.

XVIII. CONFORMITY TO STATUTES

If applicable law is in conflict with this policy, the policy is amended to conform to that law.

XIX. OTHER INSURANCE

This insurance is excess over any other insurance, whether primary, excess, contingent or on any other basis, except when purchased specifically to apply in excess of this insurance. When both this insurance and other insurance apply to any **Claim**, whether primary, excess or contingent, the Company shall not be liable under this policy for a greater proportion of the **Damages** or **Claim Expenses** than the applicable Limits of Liability under this policy for such **Damages** bears to the total applicable Limits of Liability of all valid and collectible insurance against such **Claims**.

XX. LICENSE INACTIVE

In the event an **Insured's** license is placed on inactive status during a period in which the **Insured** has paid the applicable premium, the policy will remain in effect for the remainder of the **Individual Policy Period** as if the license had not been placed in inactive status, regardless of whether the license is re-activated, except that coverage will not be provided for acts, errors or omissions of the **Insured** which occur during the period when the license was in an inactive status.

XXI. AUTHORIZATION CLAUSE


By accepting this policy, the **Insured** agrees that the statements in the application are the **Insured's** agreements and representations. The **Insured** agrees that these statements are true and correct as of the inception of this policy. This policy has been issued relying upon those statements and representations. The **Insured** agrees that the policy and application are the total agreement between the **Insured** and the Company or its agents.

XXII. TRANSFER

This policy is not transferable.

IN WITNESS WHEREOF, we have caused this Policy to be executed by our Chairperson and Secretary, but this Policy shall not be binding upon us unless completed by the attachment of the Certificate of Coverage and executed by our duly authorized representative.

Chairperson 

Secretary 

CONTINENTAL CASUALTY COMPANY
(A stock insurance company, hereinafter called the "Company")

Administrative Office:
P.O. Box 6709
Louisville, Kentucky 40206-0709
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(b) \$1,000,000 Aggregate per **Licensee**

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CLAIM EXPENSES \$ - 0 - each **Claim**

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The Declarations and the forms listed and attached hereto, together with the completed and signed application shall constitute the contract between the **Insured** and the Company.

Authorized Representative

Date

Kentucky Real Estate Errors & Omissions Insurance

RISC

Rice Insurance Services Company, LLC

Administrators

www.risceo.com



Under Agreement with the Kentucky Real Estate Commission

April 1, 2005 – April 1, 2006

AN OVERVIEW OF RISC'S GROUP REAL ESTATE ERRORS AND OMISSIONS PROGRAM

All active Kentucky real estate licensees are required to carry errors and omissions insurance as a condition of licensure. The Kentucky Real Estate Commission has contracted with Rice Insurance Services Company, LLC (RISC) to administer the group Errors & Omissions (E&O) insurance program for Kentucky licensees. Continental Casualty Company, one of the CNA insurance companies, is the insurance carrier for the E&O program. The CNA insurance group is one of the largest writers of commercial property casualty insurance in the United States and is rated A (Excellent) by A.M. Best.

RISC provides servicing (administrative duties include claims handling, certificate of coverage issuance, marketing mailings, customer service, etc.) of the Kentucky account. The management team of RISC specializes in handling group programs for states with mandatory real estate E&O insurance requirements and has been managing the Kentucky group program (except for two years) since 1989. RISC is located at 4211 Norbourne Boulevard, Louisville, Kentucky 40207-4048.

This program is designed exclusively to provide professional liability insurance for Kentucky Real Estate Licensees. Even the most careful professional cannot always prevent the filing of a frivolous lawsuit nor can he/she preclude making an honest mistake. Under this program, the insurance carrier has the responsibility of defending, as well as paying a settlement or judgment on covered claims, up to the limits of liability.

The following is intended to address the most frequently asked questions about the group E&O insurance program.

1. What kinds of Claims are covered?

- A.** Claims for which a written demand for money or services is first made against the Insured during the policy period and reported in writing during the policy period.
- B.** Claims which were unknown and unforeseen at the inception of the policy period.
- C.** Claims arising from a negligent act, error or omission relating to the rendering of or failure to render Professional Services as a real estate licensee.

2. What kinds of Claims are not covered?

All policyholders are urged to read the entire policy and examine the portion of the policy entitled Exclusions for a listing of excluded Claims.

3. Who is covered?

- A.** Individuals who hold an active license issued by the Kentucky Real Estate Commission and who pay the required premium.
- B.** Heirs, executors, administrators, or assigns of the Insured Licensee in the event of such Insured Licensee's death, incapacity, insolvency or bankruptcy but only to the extent the Insured Licensee would have been covered under this policy.
- C.** Unlicensed employees of and under the direct supervision of the Insured Licensee, while acting in the course and scope of their employment in rendering Professional Services on behalf of the Insured Licensee.
- D.** Any Real Estate Firm that the Insured Licensee represents; however, coverage only applies to said Real Estate Firm for its vicarious liability for a negligent act, error or omission arising out of Professional Services by the Insured Licensee.

4. What is the limit of liability?

- A.** The most the insurance carrier will pay for all Damages arising out of the same or related negligent acts, errors or omissions is \$100,000 per Insured Licensee. NOTE: Claim Expenses are in addition to, and not within, the Limits of Liability.
- B.** The Limits of Liability apply separately to each Insured Licensee.
- C.** The Annual Aggregate Limit is \$1,000,000. This means the most the insurance carrier will pay for each Insured Licensee for all Damages combined during the Individual Policy Period is \$1,000,000.

5. Are higher limits available? Limits of \$250,000 per Claim per Insured Licensee with \$1,000,000 Annual Aggregate are available to individual licensees. Licensees whose real estate activity is at least 75% residential sales and who have had no claims in the past five years may pay an additional premium of \$45 per year to increase limits to \$250,000. Licensees whose real estate activity is less than 75% residential sales and/or who have had claims in the past five years may pay an additional premium of \$60 per year to increase limits to \$250,000.

Higher limits are also available on an underwritten basis for qualified real estate firms domiciled in Kentucky. The principal broker or officer of the firm must complete an excess application form in order to be considered for this excess coverage. All Licensees associated with the firm must be insured under the group policy. This program is also written by Continental Casualty Company. Please call RISC's toll-free number (or local number if calling from Louisville area) if you have any questions.

6. How much is the premium?

The fully-earned annual premium is \$140, plus applicable surcharge and taxes. Your principal broker will have a chart provided by the Commission listing the applicable surcharge and taxes for your location. Payment must be included with your real estate license application or renewal to the Commission. After the inception date of the group policy, the premium will be prorated by month of enrollment. Additional coverages are available by endorsement to the policy for an additional premium. Please see Sections 13 - 15 of this brochure for additional coverages.

7. How do I obtain coverage?

Your principal broker should send an enrollment form and your premium payment, made payable to the Kentucky Real Estate Commission, along with your license application or renewal to the Kentucky Real Estate Commission, 10200 Linn Station Road, Suite 201, Louisville, KY 40223.

In order to obtain endorsements for additional coverage or higher limits, send a separate check made payable to RISC along with the supplementary enrollment form to RISC, P.O. Box 6709, Louisville, KY 40206-0709.

8. What is the deductible?

There is no deductible.

9. Where does coverage apply?

Resident Kentucky Licensees are covered for errors and omissions committed anywhere in the world. However, if the Claim results in or from a lawsuit, the lawsuit must be brought within the United States, its territories or possessions.

Non-resident Kentucky Licensees are covered for Kentucky transactions only. However, a non-resident Insured Licensee shall be treated as a resident of Kentucky if his/her principal real estate license is affiliated with a real estate office located in Kentucky and the non-resident resides within fifty (50) miles of the Kentucky state line.

10. What is the coverage period?

This insurance policy is written on a Claims Made and Reported basis. It applies only to those Claims first made against the Insured and reported to the Company during the Individual Policy Period or any applicable Extended Reporting Period and the negligent act, error or omission must have taken place on or after the Retroactive Date. The Retroactive Date is the date when the first real estate E&O coverage was effective insuring the Insured Licensee on a Claims Made basis and since which time the Insured Licensee has been continuously insured.

11. What happens if a Claim is not made until after this policy expires?

This is a Claims Made and Reported policy. The Claim must be made and reported to the Company during the Individual Policy Period or any applicable Extended Reporting Period. An Automatic Extended Reporting period is provided in the event the Insured Licensee's license is retired, placed on inactive status or allowed to expire. This allows the policy to apply to Claims first made and reported up to 90 days after the effective date of the cancellation or non-renewal so long as the negligent act, error or omission is committed subsequent to the Retroactive Date and prior to the effective date of cancellation or non-renewal.

Optional Extended Reporting Period Coverage, commonly known as Tail Coverage may be purchased to cause the policy to apply to Claims first made and reported up to three (3) years after the effective date of the cancellation or non-renewal so long as the negligent act, error or omission is committed subsequent to the Retroactive Date and prior to the effective date of cancellation or non-renewal. Tail Coverage can only be purchased within 90 days after the Licensee's policy has terminated. Tail Coverage is important because so many professional liability Claims are not made until months after the subject transaction occurs, and some may even be made years after the transaction.

12. How are Claims handled?

A Claim must be reported in writing to the Company as soon as possible after the Claim is first made but in no event more than 90 days after the Insured became aware of such Claim. The Claim must be made and reported during the policy period

or during an Extended Reporting Period in order to qualify for coverage. A Claim is a written demand for money or services received by the Insured or service of lawsuit or institution of arbitration or mediation proceedings naming the Insured, seeking Damages and alleging a negligent act, error or omission in the performance of Professional Services. It is essential, to protect the Insured's interests and to assure that coverage conditions are not violated, that Claims be properly reported. Immediate action is required by the real estate licensee and/or broker.

To report a Claim, download a Notice of Claim form from our website www.risceo.com or call our Claims Examiner at our administrative office at (800) 637-7319 for a Notice of Claim form. Complete and submit the Notice of Claim form and other pertinent documents. Cooperate fully with the appointed defense attorney(s) and your own company management.

RISC will be happy to answer questions regarding the coverage and the Claim, provided the Claim has been submitted in writing to our office.

13. Is appraisal activity covered?

No, the definition of Professional Services does not include appraisal services. An endorsement is available to include services performed by an Insured Licensee as a licensed real estate appraiser under the definition of Professional Services for an additional premium (fully earned) of \$200 plus applicable surcharge and taxes.

14. Are Regulatory Complaints covered?

No, the definition of Claim does not include complaints or disputes brought before a real estate regulatory board or commission. The policy does not cover the return or restitution of fees, commissions, expenses or costs or any amounts awarded by a real estate regulatory board or commission. However, if during the policy period, the insured becomes aware that they are the subject of a complaint or dispute brought before a real estate regulatory board or commission, the insured must give written notice to the Company prior to the expiration of the policy period. If such notice is given, then any claim that is subsequently made against the insured and reported to the Company shall be deemed to have been made at the time such written notice was received by the Company. Note an endorsement is available for Limited Claims Expenses Coverage Regulatory Complaints Endorsement. (see item 15, Other Coverages.)

15. Are other coverages available?

You may purchase additional coverages as separate endorsements to the policy. The Supplemental Enrollment Form is enclosed in the mailing to the principal brokers. Any endorsement to the policy will become effective the date that RISC receives the Supplemental Enrollment Form and endorsement premium. Premium surcharge and taxes applicable for endorsements must be paid to RISC and sent with the Supplemental Enrollment Form to RISC.

A. A Limited Claim Expenses Coverage **Regulatory Complaints Endorsement** will provide defense of any complaint to a real estate regulatory board or commission as long as the complaint arises from a negligent act, error or omission in the rendering of Professional Services that would otherwise be covered by the policy. Continental Casualty Company will pay Claim Expenses up to a maximum of \$2,500 in defense of such complaint.

B. A Limited Claim Expenses Coverage **Environmental Endorsement** will provide defense of any Claim or lawsuit alleging the Insured Licensee's failure to detect, report, assess the effects of or advise of the existence of pollution. Continental Casualty Company will pay Claim Expenses up to a maximum of \$2,500 in defense of such Claim or lawsuit.

C. A Limited Claim Expenses Coverage **Fair Housing Act Endorsement** will provide defense of any Claim or lawsuit alleging the Insured violated Title VII of the Civil Rights Act of 1968 or the Fair Housing Amendments Act of 1988. Continental Casualty Company will pay Claim Expenses up to a maximum of \$2,500 in defense of such Claim or lawsuit.

The amount payable under each of the endorsements listed under A, B and C shall not exceed \$5,000 in the Aggregate.

D. If you have a real estate license in another state that has mandatory requirements for insurance, you may purchase a **Conformity Endorsement** to make your Kentucky policy conform to the requirements of that state.

The premium (fully earned and inclusive of taxes) for the endorsements listed above is \$15.00 per endorsement, per year. Please indicate your selection of endorsements on your Supplementary Enrollment Form and send the Supplementary Enrollment Form with your check made payable to RISC. Do not send payments for optional coverages and higher limits to the Commission along with the basic premium sent with your license renewal.

16. How does one secure answers to questions about the program that are not answered in the brochure?

Read the sample policy. A sample policy is being sent to each principal broker. Please retain a copy of the policy for your records. Insured Licensees will receive a Certificate of Coverage after payment of the premium due. If you have any questions, you may call our administrative office at (800) 637-7319 or our local Louisville number at (502) 897-1876..

NOTICE

Those Licensees who **do not renew** their policies timely will have as an effective date for E&O coverage, the **actual date** the **E&O premium** is received. Further, said Licensees will **lose** any previously established Retroactive Date (prior acts coverage). The new Retroactive Date will be the date the Kentucky Real Estate Commission receives and accepts the premium.

If you currently have coverage **other** than with the state group program and you have received notice of a Claim, you should report that Claim immediately to your current carrier so as to not jeopardize any potential coverage.

ADMINISTRATIVE OFFICE

Rice Insurance Services Company, LLC

P.O. Box 6709

Louisville, KY 40206-0709

Phone: (502) 897-1876

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